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United Nations Relief and Works Agency for Palestine Refugees in the Near East

Strengthening the management capacity of the United Nations Relief and Works Agency for Palestine Refugees in the Near East

Report of the Secretary-General

Summary

Pursuant to General Assembly resolution 3331 B (XXIX), the expenses for salaries of international staff in the service of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) which would otherwise be a charge on voluntary contributions should be financed by the regular budget of the United Nations for the duration of the Agency's mandate. In the report of the Secretary-General on strengthening the management capacity of UNRWA (A/65/705), proposals were made to grant UNRWA increased funding from the regular budget on an incremental basis over the four succeeding bienniums, starting with an increase of $5 million for the biennium 2012-2013. In its resolution 65/272, the Assembly stressed that approval of funding for the biennium 2012-2013 and for future bienniums, taking into consideration the recommendations in the report of the Secretary-General, was subject to justification in the context of the proposed programme budget for the relevant bienniums and consideration thereof by the Assembly, and requested the Secretary-General to report to the Assembly at its sixty-seventh session on the progress made with regard to its implementation. The present report is submitted in response to that request.

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The additional $5 million received for the biennium 2012-2013 has been used to establish 13 additional posts and to reclassify 5 posts. The increased funding will assist in maintaining the management reform process under way in UNRWA and enables the Agency to deliver services more effectively to Palestine refugees, to reduce operational and administrative costs and to use donor resources most efficiently.

I. Introduction and background

1. Following the issuance of the report of the Secretary-General on strengthening the management capacity of the United Nations Relief and Works Agency for Palestine Refugees in the Near East (UNRWA) (A/65/705), the General Assembly adopted resolution 65/272, in which it, among other things, took note with appreciation of that report and requested the Secretary-General to continue to support the institutional strengthening of the Agency through the provision of financial resources from the regular budget of the United Nations and to report to the Assembly at its sixty-seventh session on the progress made with regard to its implementation. The present report is submitted in response to that request.

2. UNRWA has been charged, for the past 62 years, with the unique challenge of providing relief and assistance to Palestine refugees in five fields of operation (Jordan, Lebanon, the Syrian Arab Republic and, in the occupied Palestinian territory, the Gaza Strip and the West Bank, including East Jerusalem), until such time that the situation of the refugees is resolved through a just and lasting solution. That challenge is formidable. It requires the Agency consistently to offer education, health, relief and other essential services of a public nature to a population of some 5 million registered Palestine refugees in one of the most volatile regions of the world, including during situations of high political tension and armed conflict. The Agency's recurring financial crisis, however, threatens the fulfilment of its mission and the population that it serves.

3. UNRWA addresses the complex needs of the Palestine refugee population, including human development, humanitarian relief and protection. Encouraged by stakeholders, the Agency has undertaken a wide-ranging management reform process in recent years, which has transformed UNRWA and helped to sharpen its goals, planning and programme management, in particular through the development of its medium-term strategy for the period 2010-2015. The reforms have provided the basis for more effective and efficient delivery of programmes, thus strengthening the contribution of UNRWA programmes to promoting peace and stability. Providing the tools to ensure successful programmatic outcomes is the central function of the management reform process.

4. To maintain the momentum of the reform process, however, the Agency will require continued investment in oversight, direction and direct delivery of services on the ground. The previous report of the Secretary-General and resolution 65/272 represent an important contribution to this investment.

II. Implementation of resolution 65/272

5. In its resolution 66/248 A, the General Assembly adopted the programme budget for the biennium 2012-2013, which included additional funding for UNRWA in the amount of $5 million for the biennium 2012-2013. That additional funding has enabled UNRWA to establish 13 international posts and to reclassify 5 others in areas of direct and urgent relevance to its institutional strengthening. The functions of those posts and the broader impact on management capacity are detailed below.

6. Albeit in its infancy, the process of implementing resolution 65/272 is setting a positive example of strategic cooperation between the Secretariat, the General Assembly and UNRWA in furthering, among other things, the United Nations

development goals and system-wide coherence, and in reaffirming the commitment of the international community to the well-being of the Palestine refugees. By the middle of 2012, 12 of the 13 posts had been filled. The remaining post is under recruitment and is expected to be filled in the fourth quarter of 2012. The functions supported by these posts are making a direct and measurable contribution to the Agency's ability to fulfil its mandate. For example, they have considerably strengthened its strategic reform process, thereby improving programme and financial management, including budget planning and control, internal oversight and resource mobilization. They have also greatly enhanced outreach capacity, added critical security expertise and allowed the Agency to establish a dispute tribunal.

7. The 13 posts consist of 5 Security Officers; 1 Financial Information and Systems Officer; 1 Chief of the Partnerships Division; 1 Chief of the Evaluation Division; 1 Senior Liaison Officer in the UNRWA Representative Office in Brussels; 1 Head and 1 Deputy Head of the UNRWA Representative Office in Washington, D.C.; and 1 Judge and 1 Registrar for the UNRWA Dispute Tribunal.

8. The Agency has also reclassified five posts: three posts of Field Director (Gaza, the West Bank and Lebanon) and the posts of Director of Finance and Head of Safety and Security. The actual functions of these leadership posts have developed in scope and complexity far beyond the existing classifications, making reclassification an effective low-cost and high-impact measure through which to recruit and retain senior managers with broad-spectrum operational expertise, to enhance accountability for their respective roles and to strengthen synergies between the Agency's service delivery in the field and strategic planning and support provided by its headquarters.

9. Modest enhancement of capacity in the Agency's four representative offices — each staffed by an average of only two Professionals — has facilitated engagement with the United States of America and the European Union and its member States, which, collectively, represent the Agency's largest donors, contributing 79 per cent of its core funding in 2011. The offices have proved indispensable to efforts to satisfy the increasing levels of consultation and reporting that these vital stakeholders seek and in enhancing public understanding of the Agency's purpose and work. Added capacity has also enabled the Agency to support the work of the newly established post of Chief of the Partnerships Division by pursuing expanded contributions from non-traditional donors and by crafting strategic partnerships with public and private entities that will generate income and resources for the Agency and improve its access to relevant technical expertise.

10. In addition, the upgrading of the Agency's financial functions is further promoting optimum use of resources through the introduction of measures to ensure increasingly strict financial management by all headquarters and field offices of the annual budgetary envelopes entrusted to them. The Agency's Department of Finance oversees an overall programme budget in excess of $1.8 billion for the current biennium and the management of the Agency's Provident Fund for area staff, which has a current balance of more than $1 billion. Moreover, in 2012, the Department assumed overall responsibility for the implementation of the Agency's enterprise resource planning system and is the focal point for the implementation of the International Public Sector Accounting Standards (IPSAS), which the General Assembly approved for adoption by the United Nations in its resolution 60/283.

11. In line with the current United Nations security management system, UNRWA is responsible and accountable to the General Assembly for the safety and security of personnel, premises and assets. It must also, among other things, provide minimum operating security standards for the some 200 UNRWA international staff members. Most UNRWA staff members (some 30,000), however, are local staff, who have not heretofore received adequate safety and security support. The implementation of resolution 65/272 has facilitated the establishment of five Field Security Officer posts (which have been filled) and the reclassification of the post of Chief of Safety and Security. This has helped to build the Agency's internal capacity in this critical area, thereby enabling the safety and security of all staff to be more effectively addressed, and to better ensure sustainable programme delivery under hazardous, high-risk and emergency circumstances. This is an important practical step, enabling UNRWA to begin mainstreaming additional safety and security measures for all staff, in particular in Gaza, the West Bank, Lebanon and the Syrian Arab Republic, where the security situations are of special concern to the Agency. In the Syrian Arab Republic, in particular, the Agency's geographically expansive operational footprint, the extreme difficulty of maintaining essential services in conflict conditions and the constant threat to staff safety underscore the critical importance of this greater capacity.

12. The establishment of the posts of Judge and Registrar represent the cornerstone of the Agency's new and urgently needed administration of justice system, in line with the reforms introduced in the Secretariat several years ago that have been mainstreamed into funds and programmes of the Organization. These two posts are the only international posts in a unit that also comprises four local positions. Together, they provide a dispute-resolution mechanism and first-tier internal justice process to approximately 30,000 staff members, providing effective and timely response and creating considerable cost-savings for the shared United Nations justice system.

Impact on the Agency's reforms

13. As outlined in the previous report of the Secretary-General, the Agency has undertaken major reform initiatives in line with the objective of strengthening its management capacity, which have been endorsed by the Secretary-General and the General Assembly. These reforms include the organizational development process prepared in close consultation with the Agency's key stakeholders, which was made operational in 2007, and, building on that process, continuing reforms of the Agency's programmes that aim to improve the effectiveness and quality of services delivered to refugees.

14. Among the results of the reform have been improvements in the Agency's resource mobilization performance, seen in the continued, albeit modest, growth in voluntary contributions to the Agency between 2008 and 2011. Part of this growth comes from non-traditional actors, including emerging-market donors, whose share of total funding to UNRWA increased during this period by 236 per cent. This positive trend will be sustained in 2012. Growing constraints on humanitarian and development funding resulting from the global financial crisis pose a challenge in the short to medium term, however.

15. The Agency has introduced significant innovations in financial management. It is currently one of few United Nations agencies to have introduced a rigorous closure of monthly accounts, a step forward acknowledged positively by the United Nations Board of Auditors. It has also implemented IPSAS, as mandated by the General Assembly, and has been IPSAS-compliant since 1 January 2012. Its implementation of such initiatives has placed UNRWA at the forefront of United Nations agencies in enacting change. Additional capacity in its financial functions is also helping to ensure that the Agency is able to adopt best practices, align itself with international standards and maintain the robust reporting and accounting standards expected of it.

Financial situation

16. UNRWA is in a financial crisis. Total programme requirements have been unfunded by an average of 12 per cent over the past four bienniums. UNRWA begins each year with an average budget deficit of approximately $50 million.

17. With refugee numbers now approaching some 5 million, the consequent increase in fixed-cost base and the continued uncertainty as to whether contributions from donors will keep pace with budgeted needs-based expenditure in coming years, the structural nature of the funding gap faced by the Agency has become evident. UNRWA began 2012 with a deficit of $93.5 million against a downsized General Fund budget of $641.5 million as compared to the programme requirements of $653.1 million, which had been approved by the General Assembly. In 2012, against the total approved programme requirements of $653.1 million, UNRWA once again downsized its General Fund budget to $624.7 million. Even with this reduced budget, UNRWA anticipates a funding shortfall in 2012 of around $50 million.

18. Notwithstanding the improved fundraising efforts described herein, in addition to stringent cost-cutting and cost-containment measures, the Agency has been able only to narrowly avoid reporting year-end deficits over the past few years by depleting its working capital reserve. As at the end of 2011, the working capital reserve stood at approximately $9.2 million (not even equivalent to nearly one quarter of a month's expenditure). Owing to the unpredictable nature of extrabudgetary donor contributions, this pattern of sustained low levels of working capital has the potential to call into question the financial viability of the Agency.

19. It is noteworthy that 85 per cent of the General Fund budget is put towards staff costs. For the Agency to maintain the quality and quantity of its services, the budgetary resources required to sustain this workforce grow commensurately with natural annual refugee population growth. Other cost factors, such as salary increases comparable to those granted in the public sector in the host countries in which UNRWA operates, pose a constant challenge to reducing spending in order to meet short-term cash flow requirements. UNRWA therefore constantly reiterates to donors that their financial contributions to the Palestine refugees remain essential in the absence of a just and durable solution to their plight, in the light of the continuing conflicts in the region and to enable UNRWA to continue its service delivery and reform activities.

20. In addition to the provision of basic services financed from its General Fund, UNRWA continues to take action to mitigate the effects of emergencies on the lives of Palestine refugees. Owing to the protracted emergency crisis in the occupied Palestinian territory, UNRWA continuously provides emergency assistance and

protection to Palestine refugees in the West Bank and Gaza. In 2012 alone, the funding requested in the emergency appeal for the occupied Palestinian territory totals $300 million (a 20 per cent decrease from the appeal made in 2011). Given the inability to meet the needs of the appeal in 2011, UNRWA took specific steps to maximize its focus on the most basic and acute needs. By August 2012, however, funding for this downsized appeal stood at only 42 per cent.

21. The humanitarian situation in the Syrian Arab Republic has continued to deteriorate over the past months, with intensifying armed conflict and a rise in displacement, both internally and beyond the country's borders. It is estimated that 225,000 Palestine refugees in the Syrian Arab Republic are directly affected by the conflict. More than $5 million has been pledged to date against the Agency's current consolidated regional plan of $27.4 million. In view of the increasing humanitarian needs, an upwardly revised plan will be issued in September 2012.

22. Project funding has accounted for a considerable share of the Agency's income in recent years. Its budget requirement for projects in 2012-2013 amounts to $681.2 million, including $400 million for reconstruction in Gaza, $115 million for the Nahr el-Bared camp and $41.2 million for management support activities. As at August 2012, the Agency had received funding of $98.5 million.

III. Conclusion

23. In his previous report, the Secretary-General suggested that the General Assembly should request him to propose increased funding from the regular budget on an incremental basis over the four succeeding bienniums, starting with an increase of $5 million for the biennium 2012-2013. In its resolution 65/272, the Assembly stressed that approval of funding for the biennium 2012-2013 and for future bienniums, taking into consideration the recommendations in the report of the Secretary-General, was subject to justification in the context of the proposed programme budget for the relevant bienniums and consideration thereof by the Assembly. With the increased funding of $5 million from the regular budget, UNRWA has already been able to establish and fill 12 posts, with the thirteenth under recruitment, and reclassify 5 posts. This rapid action highlights the urgency and critical nature of these posts for the Agency's programmes and continued reforms.

24. While recalling the recommendations of the Secretary-General, in particular that of increased funding from the regular budget on an incremental basis over the four succeeding bienniums, UNRWA notes that the need for additional resources from the regular budget is evident. Cognizant of the current global financial environment, and in the light of the recruitment against the additional posts financed from the $5 million provided in the biennium 2012-2013, UNRWA will focus its efforts on maximizing the impact of these new resources and the additional capacity that they provide. This will enable it to better identify the resources needed to ensure the quality and consistency of service delivery to the Palestine refugee community while maintaining the momentum of continuing reform processes that are critical to this end. Any future requests for additional funding will be considered in the context of the submission of the proposed programme budget.